

G-008/GR-92-400 ORDER ACCEPTING COMPLIANCE FILINGS AND REQUIRING
ADDITIONAL FILINGS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm
Tom Burton
Marshall Johnson
Cynthia A. Kitlinski
Dee Knaak

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of the Petition of
Minnegasco, a Division of Arkla,
Inc., for Authority to Increase
Rates for Natural Gas Service in
Minnesota

ISSUE DATE: November 24, 1993

DOCKET NO. G-008/GR-92-400

ORDER ACCEPTING COMPLIANCE
FILINGS AND REQUIRING ADDITIONAL
FILINGS

PROCEDURAL HISTORY

On May 3, 1993, the Commission issued its FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER in this docket, Minnegasco's 1992 rate case. In that Order, the Commission directed Minnegasco to file information on its manufactured gas plants (MGP) and lost margin recovery under its demand-side management (DSM) financial incentives program.

On July 2, 1993, Minnegasco filed information in response to Ordering Paragraphs 9, 10, and 11 of the May 3, 1993 Order.

On July 28, 1993, the Company filed supplemental information and, in response to a Staff information request, filed additional information on August 11, 1993.

On July 2 and August 2, 1993, respectively, the Minnesota Department of Public Service (the Department) and the Residential Utilities Division of the Office of the Attorney General (RUD-OAG) submitted their comments on the Company's compliance filing.

On November 10, 1993, the Commission met to consider this matter.

FINDINGS AND CONCLUSIONS

Minnegasco's filing addresses its compliance with three items: Ordering Paragraphs 9, 10, and 11. The Commission's evaluation of that compliance is as follows:

1. Ordering Paragraph 9: MGP Cleanup Activities

Ordering Paragraph 9 required Minnegasco to file information on the Company's MGP cleanup cost recovery activities to date and what future actions it planned to take.

The Commission finds that Minnegasco's explanation of its recovery activities to date is in compliance with the Commission's May 3, 1993 Order. However, the Company's filing did not fully address future activities for MGP cost recovery. Accordingly, Minnegasco will be required to prepare a schedule detailing planned future activities for insurance and third party recovery of costs. At this point, the Commission finds that it would be most appropriate for the Company to file this information with its first Annual Report due April 1, 1994.

2. Ordering Paragraph 10: Classification of MGP Cleanup Costs

Ordering Paragraph 10 required information that quantified and explained specific MGP cost categories. The Commission finds that with the Company's supplemental filing of July 22, 1993, Minnegasco has complied with Ordering Paragraph 10.

3. Ordering Paragraph 11: Lost Margin Recovery in DSM Financial Incentive Programs

Ordering Paragraph 11 required information on which of its conservation programs would be eligible for lost margin recovery and the associated energy savings goals under its DSM financial incentives program.

In its compliance filing, Minnegasco provided a list of the direct impact projects that qualify for financial incentives and the associated energy savings goals as determined by the Department in its CIP decisions. Minnegasco discussed each project that will be subject to the financial incentive mechanism.

Minnegasco also cited difficulties. The Company noted that it was difficult to set accurate savings goals. Different assumptions on participation will impact the energy savings goals and may enable Minnegasco to easily achieve a bonus on some projects and prevent lost margin recovery on others. Minnegasco also discussed the difficulties in measuring energy savings. The Company recommended that the methodology used to measure energy savings goals be consistent with the methodology used to measure actual savings. The Company proposed to use the goals approved by the Department and later modify those goals, as appropriate, based on pre- and post- consumption analysis of the 1992-93 CIP activity when it submitted its report in November 1994.

The Commission has a concern regarding the Company's goal setting that should be addressed well in advance of November 1994. To bring some clarity to the goal setting issue, the Commission will require Minnegasco to file additional information on how the engineering estimates used to establish goals for its projects will be made and what factors could cause goals to be updated.

4. Level and Method of MGP Cost Recovery

Finally, there is another concern related to MGP cleanup costs that deserves attention. Currently there is \$3.6 million allowed

annually in rates for MGP cleanup costs as a result of the rate case stipulation. The level of Minnegasco's actual expenditures for MGP cleanup costs during the test year was \$658,000, significantly less than the amount being recovered in rates under the Stipulation. The Commission will direct the parties to address the issue of the appropriate level and method of MGP cost recovery in Minnegasco's next rate case.

ORDER

1. Minnegasco's compliance filings dated July 2 and 28, 1993 regarding the Company's manufactured gas plant (MGP) issues are accepted. Related to those issues, however, the following steps shall be taken:
 - a. with its first annual report due April 1, 1994, Minnegasco shall prepare a schedule detailing planned future activities for insurance and third party recovery of costs extending in time to when Minnegasco expects all remediation to be completed, suits resolved, and all cost recovery efforts completed;
 - b. in the Company's next rate case, the parties shall address the appropriate level and method of MGP cost recovery.
2. Minnegasco's compliance filings dated July 2, 1993 regarding the Company's demand side management (DSM) financial incentives issues is accepted. Related to those issues, however, the following step shall be taken:
 - a. within 30 days of this Order, Minnegasco shall file additional information on 1) how the Company makes the engineering estimates used in establishing project goals and 2) what factors could cause goals to be updated.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Susan Mackenzie
Acting Executive Secretary

(S E A L)